

MEMORANDUM | November 5, 2014

TO U.S. Fish and Wildlife Service
FROM Industrial Economics, Incorporated (IEc)
SUBJECT Incremental Impacts Associated with the Final Critical Habitat Designation for Neosho Mucket and Rabbitsfoot

The purpose of this memorandum is to provide information on the incremental economic impacts associated with the final critical habitat designation for Neosho Mucket and Rabbitsfoot (hereafter “the mussels”) as described in the Final Rule.¹ The information in this memorandum is to be considered alongside the information provided in our memorandum dated January 17, 2014, and reflects an additional change to the Proposed Rule. Specifically, the Service has modified proposed critical habitat Unit RF2 such that the final designation includes 7.6 fewer river kilometers than originally proposed.

The Draft Economic Analysis (DEA) and Final Economic Analysis of Critical Habitat Designation for Neosho Mucket and Rabbitsfoot (FEA) estimate the incremental economic impacts associated with proposed critical habitat as described in the Proposed Rule.² As described in Exhibit ES-6 of the FEA, total incremental impacts associated with Unit RF2 are estimated to be \$500,000 over 20 years (discounted at 7 percent). This estimate is based on the Service’s forecast of future consultations in the study area of Unit RF2.

Specifically, the Service identified the number of future consultations expected to occur over the 20-year timeframe of the analysis in the study area for the proposed critical habitat unit. However, the Service did not identify the exact location of the consultations within the study area. Therefore, although the removal of 7.6 river kilometers from Unit RF2 (17 percent of its total length) may result in a decrease in the study area for the unit, we are uncertain whether or not this reduction would affect the number of forecasted consultations (and corresponding costs) for the unit.

If the forecasted consultations are located outside of the area associated with the excluded river kilometers, then the costs estimated in the FEA for Unit RF2 would likely remain the same. If, however, some or all of the forecasted consultations are located within the area associated with the excluded river kilometers, then the costs estimated in the FEA for Unit RF2 may overestimate the costs of the Final Rule. At the high end, if we assume that all of the forecasted consultations are associated with the excluded river kilometers, the reduction in costs would not exceed the total estimated costs of the unit (\$500,000). This change would reduce the overall costs estimated in our memorandum dated January 17, 2014 from \$4.3 million to \$3.8 million (discounted at 7 percent). Therefore, we estimate

¹ Personal communication with Biologist, U.S. Fish and Wildlife Service Headquarters, September 18, 2014.

² 77 FR 63440.

that the total costs of the Final Rule are between \$3.8 million and \$4.3 million over 20 years (discounted at 7 percent).

In addition, the Service has provided a correction to the baseline analysis provided in Section 4.3.3 of the FEA. The analysis states that when considering impacts to the species in section 7 consultations on timber management, agriculture, and grazing activities, the Service may recommend that 180-foot buffers be applied along streams, delineated recharge zones, and karst features, and that project proponents use methods to prevent soil erosion and runoff. The Service has indicated that actual recommendations will depend on the specific nature of the project. This correction to the baseline analysis does not affect the analysis of the incremental impacts of the proposed designation.